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NOV 27 2006

Remarks/Arguments

The amendments set forth herein are provided solely to clarify the invention as filed and set forth in the pending claims in order to comply with applicable statutes and regulations. The amendments are not intended to limit the invention or preclude the application of equivalents which Applicant may be entitled to under law.

Status of the Application

Applicants respectfully request reconsideration of the rejections and objections set forth in the Office Action mailed on September 25, 2006.

The Examiner has rejected claims 75-88 and 94-96 under 35 U.S.C. 102(b) as being anticipated by U.S. Patent No. 5, 850,442 to *Muftic et al.* (*Muftic*).

Claims 75-88 and 94-96 are pending in this application.

The Claims

Rejections Under 35 U.S.C. § 102 (e)

Claims 75-88 and 94-96

The Examiner has rejected claims 75-88 and 94-96 under 35 U.S.C. 102(e) as being anticipated by *Muftic*. Applicant respectfully traverses.

Muftic discloses methods that provide secure electronic transactions over an open network (*see* col. 1, ll. 18-23). Methods disclosed by *Muftic* utilize at least three elements namely: a smart token, such as a smart card or PCMCIA; a public key infrastructure; and a network (*see id.*; FIG. 3, 350). Smart cards, as described by *Muftic* require a certification process administered by a certifying authority (*see* col. 12, ll. 8-37). These smart cards store information such as a smart token, which provides authentication that may be utilized during an electronic transaction (*see* col. 12, ll. 20-58).

Muftic further discloses off line digital cash systems which may be utilized at a point of sale (*see* col. 15, l. 60 – col. 16, l. 7). Two methods, a tamper proof chip, and an encrypted transaction path may be utilized to overcome double spending as disclosed by *Muftic* (*see* col. 16, ll. 8-22).

As may be appreciated, there exist many possible alternatives for effecting an electronic transaction. Use of some form of encryption (like public key encryption) is likely critical to any viable form of secured transaction. Currency, after all, is simply a physical encryption (*i.e.* printed paper) representing a monetary value. Thus, how a key to encryption is given, stored, handled, passed, and terminated in connection with some form of legal tender whether physical or electronic is what differentiates one method from another.

For example, claim 75 requires:

> providing a buyer value note, the buyer value note including a buyer public key, the value, and a first bank signature;
>
> appending the buyer value note with a seller public key;
>
> endorsing the buyer value note with a buyer endorsement signature such that the buyer endorsement signature is verified with the buyer public key;
>
> creating a seller value note, the seller value note including a seller public key and the value; and
>
> endorsing the seller value note with a second bank signature whereby the value is transferred to the seller.

In this method, no smart token is required such as is disclosed by *Muftic*. Thus, a card reader or some other storage medium, as disclosed by *Muftic*, is not required to provide authentication. Instead, a value note is provided that is endorsed (or electronically signed) by a bank. The value note includes a buyer public key – the public key being the method by which the authenticity of the note is confirmed. When a buyer wishes to make a purchase, the value note is appended to include the seller's public key and endorsed by the buyer, whose endorsement is verified with the buyer's public key which was originally provided with the original note also containing the bank signature. The first transaction between seller and buyer is now complete. When the seller wishes to collect the value of the value note, a new note is created and endorsed by the seller whereupon the seller receives the value associated with the note.

As can be seen, a smart token, as disclosed by *Muftic* is not required. Authentication, instead, travels with the value note. Thus, the method described by the present claims is

modeled after a paper-like transaction. Furthermore, claim 82 contains limitations directed to transferring a partial value of an original value note. Again, authentication travels with the value note as it proceeds along a transaction path thus requiring no smart token.

Still further, double spending may be inherently avoided because the value note, as required by the present claims, requires a bank signature, which provides a means by which a bank may determine whether a value note has been double spent. In contrast, *Muftic* discloses a tamper proof chip or an encrypted transaction path for avoiding double spending.

Therefore, for at least these reasons, Applicant respectfully submits that claims 75 and 82 are allowable over the cited art and requests that the above rejection be removed. Claim 94 is a means claim directed toward substantially similar limitations as claim 75 and is therefore allowable for at least the same reasons cited for claim 75.

All remaining claims depend either directly or indirectly from independent claims 75, 82, and 94 and are therefore allowable over the cited art for at least the same reasons cited for claim 1. Additionally, these dependent claims require additional elements that, when considered in the context of the claimed invention, further patentably distinguishes the art of record. For example, claim 76 requires, "after the creating a seller value note, disassociating the buyer public key and the buyer endorsement signature from the seller value note; and deleting the buyer public key and the buyer endorsement signature such that the seller value note is anonymous with respect to the buyer value note." In contrast, *Muftic* discloses no such method.

Applicant believes that all pending claims are allowable and respectfully request a Notice of Allowance for this application from the Examiner. Should the Examiner believe that a telephone conference would expedite the prosecution of this application; the undersigned can be reached at the telephone number set out below.

Respectfully submitted,
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